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CITY OF HUNTINGTON BEACH, CALIFORNIA

SINGLE AUDIT OF FEDERAL AWARDS

SEPTEMBER 30, 2009

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CITY OF HUNTINGTON BEACH, CALIFORNIA

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March 15, 2010

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of City Council
City of Huntington Beach
Huntington Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, California (the City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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Internal Control Over Financial Reporting (Continued)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding Numbers 2009-01 and 2009-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City of Huntington Beach's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council and management of the City, and the City's Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Diehl, Evans and Company, LLP



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable Mayor and
Members of City Council
City of Huntington Beach
Huntington Beach, California

Compliance

We have audited the compliance of City of Huntington Beach (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding Numbers 2009-03 and 2009-04.

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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntington Beach, as of and for the year ended September 30, 2009, and have issued our report thereon dated March 15, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council and management of the City, the City's Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Diery, Evans and Company, LLP

April 15, 2010, except to the date for the Schedule of Expenditures of Federal Awards, to which the date is March 15, 2010.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF HUNTINGTON BEACH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2009

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursements to Subrecipients
<u>U.S. Department of Commerce</u>				
Passed through City of Santa Ana				
Public Safety Interoperable Communications Grant Program (PSIC)	11.555	A-2008-075-21 2007-GS-H7-0008	\$ 225,118	\$ -
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants/ Entitlement Grants	14.218	B04-MC-06-0506 B06-MC-06-0506 B07-MC-06-0506 B08-MC-06-0506	2,132,511	99,686
HOME Investment Partnerships Program	14.239	M06-MC-06-00514 M07-MC-06-00514 M08-MC-06-0514	270,165	-
Total U.S. Department of Housing and Urban Development			2,402,676	99,686
<u>U.S. Department of Justice:</u>				
Passed through California Office of Emergency Services:				
Violence Against Women Formula Grants	16.588	LEO7056860 LEO8016860	135,385	-
Passed through County of Orange:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0103	14,442	-
Total U.S. Department of Justice			149,827	-
<u>U.S. Department of Transportation</u>				
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	STPL-5181-160 STPL-5181-165	200,055	-
Passed through California Department of Transportation:				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	-	223,678	-
Passed through California Office of Traffic Safety:				
State and Community Highway Safety	20.600	AL 0756 AL 0998	165,519	-
Total U.S. Department of Transportation			589,252	-

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and Notes to Schedule of Expenditures of Federal Awards (pages 7 and 8).

CITY OF HUNTINGTON BEACH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended September 30, 2009

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursements to Subrecipients
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
Congressionally Mandated Projects	66.202	XP-96960601-1	\$ 28,233	\$ -
<u>Corporation for National and Community Service</u>				
Passed through California Service Corporation:				
AmeriCorps	94.006	NPH00022630	3,160	-
<u>Department of Homeland Security</u>				
Passed through City of Santa Ana:				
Urban Areas Security Initiative	97.008	2007-285-03	65,474	-
Passed through County of Orange:				
Urban Areas Security Initiative	97.008	A-2008-200	160,174	-
Passed through City of Anaheim:				
Urban Areas Security Initiative	97.008	2008-0006	3,520	-
			229,168	-
Direct Program:				
Assistance to Firefighters Grant	97.044	EMW-2008-FO-04289	19,580	-
Passed through California Office of Emergency Services:				
Pre-Disaster Mitigation	97.047	PDMC-PJ-09-CA-2005-007	1,295,140	-
Passed through County of Orange:				
Homeland Security Grant Program	97.067	2007-8; OES 059-00000		-
		2008-9; OES 059-00000	151,191	-
Passed through California Office of Emergency Services:				
Homeland Security Grant Program	97.067	EMF-2006-GR-0602	11,724	-
			162,915	-
Total Department of Homeland Security			1,706,803	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,105,069	\$ 99,686

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and Notes to Schedule of Expenditures of Federal Awards (pages 7 and 8).

CITY OF HUNTINGTON BEACH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2009

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Huntington Beach (the City). The City's reporting entity is defined in Note 1 of the notes to the City's financial statements. All financial assistance received directly from federal agencies, federal financial assistance passed through other government agencies to the City, as well as federal financial assistance passed through the County of Orange is included in the accompanying schedule.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which are described in the Note 1 of the notes to the City's financial statements.

3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in federal financial reports.

5. FEDERALLY FUNDED LOANS:

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs:

<u>Federal Programs</u>	<u>Loans Expended During the Year Ended Sept 30, 2009</u>	<u>Loans Outstanding as of Sept 30, 2009</u>
Community Development		
Block Grant - Entitlement		
Grant	\$ 293,725	\$ 3,201,437
HOME Investment		
Partnership Program	511,296	8,400,744

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and the Schedule of Expenditures of Federal Awards (pages 5 and 6).

CITY OF HUNTINGTON BEACH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the year ended September 30, 2009

6. OFFICE OF EMERGENCY SERVICES:

The following represents federal expenditures for the grant period which may extend over several fiscal years, for programs from the Department of Justice passed through the Office of Emergency Services (OES):

Domestic Violence Grant LE07056860 from October 1, 2008 - December 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating expenses	\$ <u>13,823</u>	\$ <u>13,823</u>	\$ <u>-</u>

Domestic Violence Grant LE08016860 from January 1, 2009 - September 30, 2009 (grant runs to December 31, 2009, after fiscal year-end)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personal services	\$ 36,500	\$ 34,446	\$ 2,054
Operating expenses	<u>109,500</u>	<u>87,116</u>	<u>22,384</u>
Total	\$ <u>146,000</u>	\$ <u>121,562</u>	\$ <u>24,438</u>

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and the Schedule of Expenditures of Federal Awards (pages 5 and 6).

CITY OF HUNTINGTON BEACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2009

1. Summary of Auditors' Results:

- a. The auditors' report expresses an unqualified opinion on the financial statements of the City of Huntington Beach.
- b. Two significant deficiencies were disclosed during the audit of the financial statements, and are reported in this Schedule. See Finding Numbers 2009-01 and 2009-02. None of the deficiencies are material weaknesses.
- c. No instances of noncompliance material to financial statements of the City of Huntington Beach, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- d. No instances of significant deficiencies in internal control over major federal award programs were disclosed during the audit.
- e. The auditors' report on compliance for the major federal award programs for the City of Huntington Beach expresses an unqualified opinion on all major federal programs.
- f. Two instances of audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were disclosed during the audit and are reported in this Schedule. See Finding Numbers 2009-03 and 2009-04.
- g. The threshold used for distinguish between type A and type B programs was \$300,000.
- h. The programs tested as major programs were:

Public Safety Interoperable Communications Grant Program (PSIC) - CFDA No. 11.555
Pre-Disaster Mitigation - CFDA No. 97.047
- i. The City of Huntington Beach was determined to be a low-risk auditee.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF HUNTINGTON BEACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended September 30, 2009

2. Findings - Financial Statements Audit:

Finding Number 2009-01

Criteria

The loans related to the housing program have provisions which allow the forgiveness of the note over a period of time provided the debtor meets the requirements of the loan agreements and loans issued were not recorded as made.

Condition

During our testing of notes receivables, we noted several notes receivable balances related to housing programs which were not adjusted to the proper balances.

Recommendation

We recommend that the City implement an annual procedure to review all the individual notes receivable balances and adjust these balances to the proper amounts.

Management Response

The City's Housing Division is working with the City Attorney's Office to finalize the procedures for loan forgiveness. The City has contracted with a financial consultant to perform a financial review of all the individual notes receivable balances to determine if the loan is eligible to be forgiven or if adjustments need to be made to current loan balances. In addition, the City is providing the physical condition review of the projects for compliance and recommendation if a particular loan should be forgiven for that year.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF HUNTINGTON BEACH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended September 30, 2009

2. Findings - Financial Statements Audit (Continued):

Finding Number 2009-02

Criteria

An important element of internal controls over cash is the reconciliation process to identify differences between the bank and the general ledger and resolve differences timely. When differences are not properly identified, the bank reconciliation is not complete and can result in inaccurate general ledger balances.

Condition

During our testing of bank reconciliations for the City's main checking account, we noted that the reconciliation for the Union Bank General Checking Account for the month of September 2009 was not properly reconciled until four months later.

Recommendation

We recommend that bank accounts be reconciled within 30 days after the end of the month.

Management Response

The City will strive to reconcile all bank accounts within 45 days of month end when possible. Management will more closely monitor the process. When bank reconciliation present more challenges, management will dedicate additional resources when necessary.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF HUNTINGTON BEACH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended September 30, 2009

3. Findings And Questioned Costs - Major Federal Awards Program Audit:

Finding Number 2009-03

Pre-Disaster Mitigation, U.S. Department of Homeland Security, CFDA No. 97.047
Award Number PDMC-PJ-09-CA-2005-007; Federal Award Year 2005
Passed through California Office of Emergency Services

Criteria

44 CFR Section 13.35 states "Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension".

Condition

City did not verify the eligibility for participation in Federal assistance programs of the subgrant or contract recipients prior to awarding the grant or contract.

Questioned Costs

\$0

Cause

The City did not have policies or procedures in place to address the federal requirement regarding suspension and debarment.

Effect

The City is not in compliance with the federal requirement regarding suspension and debarment.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF HUNTINGTON BEACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended September 30, 2009

3. Findings And Questioned Costs - Major Federal Awards Program Audit (Continued):

Finding Number 2009-03 (Continued)

Recommendation

The City underwent an audit by CaleMA during fiscal year ending September 30, 2009 in which the City presented a corrective action plan that was accepted. We recommend the City implement the corrective action plan including obtaining federal website certification and modifying City procurement sections of the Municipal Code.

Management Response

The City concurs with the finding and has already implemented the requested corrective action.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF HUNTINGTON BEACH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended September 30, 2009

3. Findings And Questioned Costs - Major Federal Awards Program Audit (Continued):

Finding Number 2009-04

Homeland Security Grant Program, U.S. Department of Homeland Security, CFDA No. 97.067
Award number EMF-2006-GR-0602; Federal Award Year 2006
Passed through California Office of Emergency Services

Criteria

44 CFR 13.23 states "Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding periods".

Condition

The grant term for the Homeland Security Grant Program is August 4, 2006 through March 31, 2008. A total of \$11,724 was expended in the time period of October 1, 2008 through September 30, 2009, which is outside the grant period.

Questioned Costs

\$11,724, representing all federal expenditures of the non-major Homeland Security Grant Program, were expended outside the grant period.

Cause

The City claims the grant can be expended past the time period even though no formal extension was provided by the grantor. The grant amount of \$18,150 was provided by the grantor and received by the City in October 2008, which lends credence to the City's reasoning.

Effect

The grantor may require reimbursement of federal funding.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF HUNTINGTON BEACH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended September 30, 2009

3. Findings And Questioned Costs - Major Federal Awards Program Audit (Continued):

Finding Number 2009-04 (Continued)

Recommendation

We recommend the City request formal grant extensions from grantors before funding is utilized outside the grant period.

Management Response

The City concurs with the finding and will work to ensure that funds are expended within authorized grant periods.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF HUNTINGTON BEACH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended September 30, 2009

There were no findings for the year ended September 30, 2008.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).